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Canada Textile Industry Royal Commission

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(IN THE MATTER OF:)

(THE ROYAL COMMISSION ON  
THE TEXTILE INDUSTRY)

FACTUM

OF

THE MONTREAL COTTONS LIMITED

MEREDITH, HOLDEN, HEWARD & HOLDEN,  
Counsel for The Montreal Cottons Limited





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IN THE MATTER OF:

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THE TEXTILE INDUSTRY

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OF

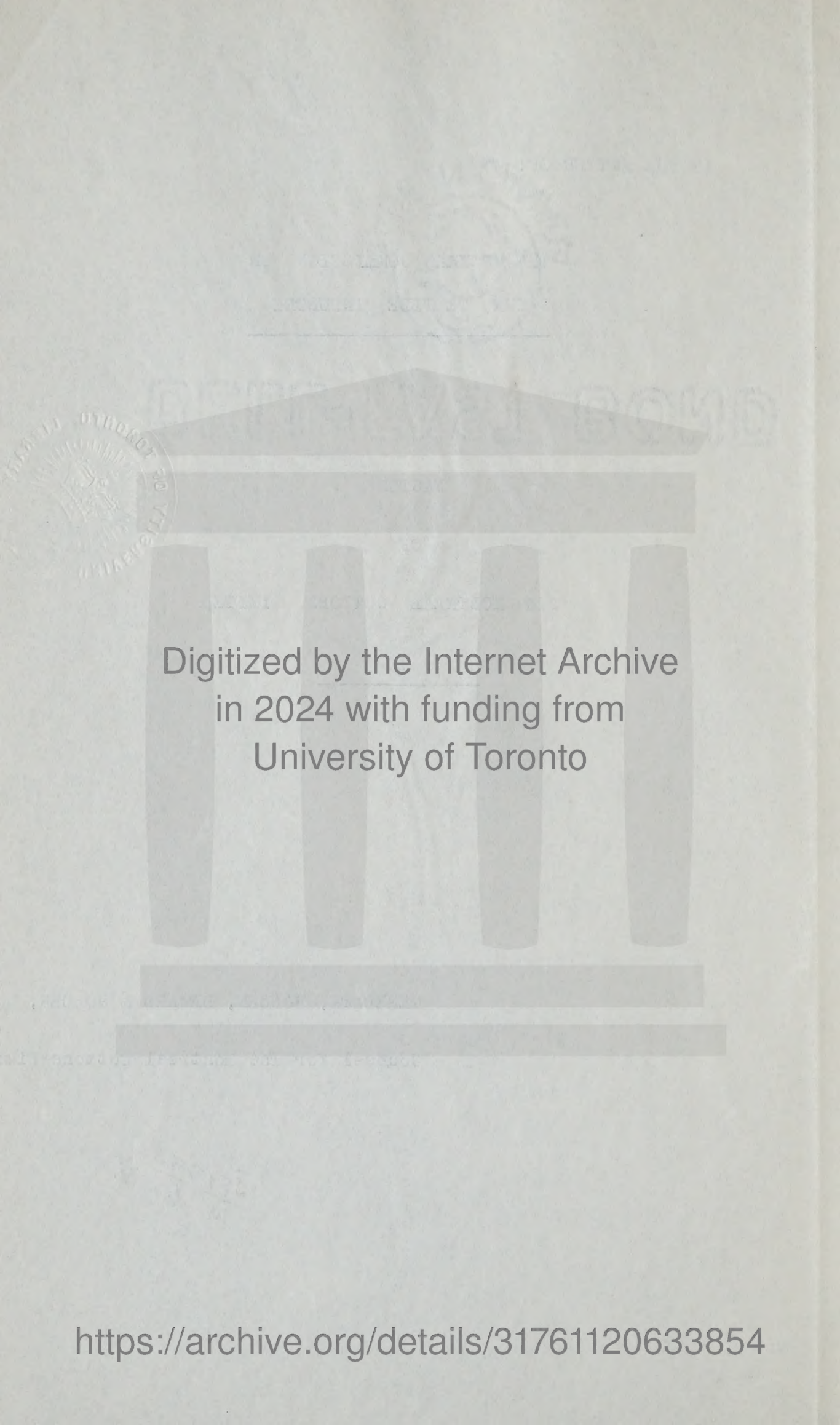
THE MONTREAL COTTONS LIMITED

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MEREDITH, HOLDEN, HEWARD & HOLDEN,

Counsel for The Montreal Cottons Limited.

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THE ROYAL COMMISSION ON THE TEXTILE INDUSTRY

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FACTUM

of

THE MONTREAL COTTONS LIMITED

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The Montreal Cottons Limited was incorporated in 1911 to take over the business of its predecessor company, the Montreal Cotton Company, which commenced operations in 1874. For the purposes of this enquiry, it is submitted that it is sufficient to consider the present Company and its operations only, without going back beyond 1911. This gives a period of twenty-six years and, in view of the changes in conditions which have occurred, there appears to be little utility in going further. As a matter of fact, for the purposes of this Commission, as defined in the Order-in-Council; namely, to make information available to the Government and ".....will enable sound conclusions to be reached regarding the position of this and other branches of the textile industry in relation to British and Foreign competition, and in particular, the extent





"to which the employer can reasonably and properly be

"expected to maintain employment over periods of

"temporary difficulty".

- an examination of the last fifteen

year period would appear to have been amply sufficient

to enable the necessary and relevant information to be

obtained.

Exhibit No.952

The capital of the present Company

consists of

5% Bonds due 1943 - \$403,440.93

7% Cumulative Preferred Stock - 30,000 shares - \$3,000,000.00

Common Stock - 30,000 shares - \$3,000,000.00

Its plants are situated in the Town of

Valleyfield, Que., and it has no mills elsewhere, nor any affiliated companies.

It produces Cotton Piece Goods, Fine and Fancy Yarn, Cotton and Artificial Silk Mixtures and Artificial Silk Piece Goods. All classes of Sateens, Silesias, Italians and other types of lining and trimmings are made. Fabrics and finishes have been developed to fit the particular needs of the tailoring







and general cutting-up trade. In addition, the Company has specialized in furniture covering fabrics and draperies ranging from heavy jacquard tapestries to fine marquisesettes.

The plants, machinery and equipment used in producing these goods were valued at \$7,957,015.51 in the 1935 balance sheet. In 1935 there were in operation 152,944 spindles and 3,524 looms. Net sales were over five million dollars and output was about thirty million yards.

Page 4854

Exhibit No.952

The number of employees has been

	<u>1936</u>	<u>Amount</u>
	<u>No.</u>	Jan. 1st - June 30th
Mill Workers	2,446	\$ 706,751.00
Mechanical	140	\$ 68,556.00
Mill Super, & Clerical	33	\$ 34,163.00
Head Off. & Directors	10	\$ 14,300.00

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The relationship of the Company to the Town of Valleyfield may be considered from the points of view of employment afforded, taxes paid and agreements as to extent of taxation.

The Town had a population of 11,411







according to the 1931 Census and other industries than the Company. The employment given to mill workers and mechanical staff only for the years 1926, 1930 and 1934 is as follows :-

Exhibit No.952		<u>1926</u>		<u>1930</u>		<u>1934</u>	
<u>No.</u>	<u>Amount</u>	<u>No.</u>	<u>Amount</u>	<u>No.</u>	<u>Amount</u>	<u>No.</u>	<u>Amount</u>
2,647	\$1,842,311.	2,200	\$1,305,248.	2,337	\$1,272,338.		

It is obvious that the very existence of the Town, at least at that level of population, depends upon the continued operation of the Company. No person, as an ex-employee, applied for direct relief from the Town.

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The taxes paid by the Company for the year 1935-1936 were as follows:-

Exhibits Nos.317  
and 324

<u>Municipal</u> - Jan. 1/35 - Dec. 31/35			
Mill		-	\$40,000.00
Cottages		-	\$ 8,619.79
Farm		-	\$ 24.85
			<u>\$48,644.64</u>
<u>School</u> - July 1/35 - July 1/36			
Mill	\$30,127.20 less 5%	-	\$28,620.84
Cottages	\$4,595.57 " "	-	\$ 4,365.79
School	\$56.80 " "	-	<u>\$53.96</u>
			<u>\$81,685.23</u>





The present situation between the Company and the Municipality, so far as municipal taxes are concerned, is governed by By-law 350, as ratified by 25-26 Geo. V, 122. This provides that taxes upon the mills shall be as follows:-

1933 - 1934      -    \$45,000.00

1935 - 1939         \$40,000.00

This by-law, approved by the voters and ratified by the Provincial Parliament, represented the final settlement of a dispute between the Municipality and the Company.

Page 4902

The Company claimed that its immovables had a value in 1933 of \$2,400,000.00 and its cottages of \$400,000.00. The civic valuers estimated them at \$6,981,300.00. The Court put the value at \$3,765,917.00. The Company appealed from the value given by the tribunal, but a settlement was made before the appeal was heard.

Page 4903

The Company was willing, not only to pay the ordinary rates, but even as high as the rates in Montreal, if its valuation was made on the ordinary





Page 5028

basis. In addition, it was prepared to cede and actually did cede to the Town certain properties having an assessed value of \$14,000.00 and sold to it for \$5,000.00 the property known as Valleyfield Electric, which was assessed in 1935 (at the time of the sale) at \$12,000.00.

Page 5387

The properties above mentioned actually had at the time a value of \$58,750.00.

Previous agreements between the Town and the Company as to taxes had existed in 1920, 1911, 1890 and 1882. The present situation is as described above. It is interesting to note that the insurance appraisal value as at 29th June 1936 was \$2,413,336.00.

Under the present arrangement there would appear to be no doubt that the Company is paying at least its full share of municipal taxes and has acted generously in the settlement of the dispute between it and the Town.

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The Dominion Textile Company has an interest in this Company, both as its selling agent and as a majority shareholder.

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16,443 shares representing 54.8% of the issued Common Shares of The Montreal Cottons Limited are owned by the Dominion Textile Company Limited.

Exhibit No.961

Under an agreement dated 30th September 1934 Dominion Textile Company is appointed selling agent at a commission of 2% on sales made by it and of 1% upon purchases made by it. Credit risks and advertising direction and cost are left to The Montreal Cottons Limited. Other expenses and selling space are borne by the agent. In 1935

Page 4854

four million of about thirty million yards produced were sold under this agreement.

A change in the management of this Company took place in 1931 and a re-arrangement and revising of the machinery and of the work was then commenced. A new General Manager was obtained in Mr. Aird, who was





first employed by the Company in August 1932

Page 4818

and made General Manager in 1934.

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The Company has not been profitable.

Its Net Profit on Sales before bond interest and dividends has been as follows:-

Exhibit No.952	<u>1926</u>	<u>1927</u>	<u>1928</u>	<u>1929</u>
	\$427,131.99	\$419,019.38	\$373,220.85	\$144,427.10
	<u>1930</u>	<u>1931</u>	<u>1932</u>	<u>1933</u>
	Loss	Loss	Loss	
	\$304,388.52	\$228,886.20	\$ 47,234.73	\$ 13,353.30
	<u>1934</u>	<u>1935</u>		
	\$ 36,590.98	\$330,513.30		

Exhibit No.952

The results would have been considerably worse during the Ten-year period had normal depreciation been charged. As a matter of fact, no depreciation was provided for during the years 1928,1929,1930, 1931 and 1932.

Exhibit No.952

Surplus Account, which stood at \$886,619.42 in 1926 had dropped to \$21,233.40 in 1935. Common stock dividends were discontinued in March 1933





and have not been resumed since.

Page 12886

In 1929 the Company disposed of to the Beauharnois Power the water power rights which it had acquired at its inception. These power rights, which of course had no connection with the textile industry per se, had become very valuable over the years. The Company received for them 8000 horse power of electric energy free and a substantial cash payment. Without such a payment dividends on the Common Stock would have had to have been discontinued much sooner and it probably aided, if it did not ensure, the continuous operation of the Company during the period when it suffered substantial losses.

There has been no change in the capital structure of the Company since 1911, except for the reduction of the outstanding bonds from \$1,000,000.00 to \$403,440.93 in 1935.

The Commission Auditor,  
prepared certain statements with regard to the Capital and Profits or Losses of the Company. These consist of:-





1. Profit & Loss & Surplus Summary 1926-1935.
2. Capitalization & Operating Results.
3. Repairs & Mill Equipment & Supplies charged to Operations.
4. Memo re Fixed Assets & Depreciation.
5. Comparative Balance Sheet 1926-1935.

With regard to the first statement, it is to be noted that the figures for "Net Revenue for Period" are given before the deductions which follow for interest on loans, income taxes, interest on bonds and sinking fund reserve. Similarly, with regard to the figures shown as "Net Profit on Sales % to Sales". It is certainly unusual to claim that interest on borrowed money is not part of the cost. It is equally unusual in accounting practice and contrary to s.113: 3 of the Dominion Companies' Act to show Net Revenue before the deductions above mentioned.

The second statement "Capitalization "& Operating Results" is presumably to be read as a whole. Upon that basis, it is submitted that it is misleading and inaccurate in at least three respects - namely, as to capitalization, net revenue for 49 years and net revenue for 10 years.





As to capital, the statement shows

"Adjusted Amount for Capital" at \$2,884,500.00.

This purports to be the "Capital" of the Company and is arrived at by deducting from the issued capital stock that portion which represents surplus (earnings re-invested plus \$5,000.00) existing at and prior to 1911, and which was capitalized then. The witness

Page 12900 . admitted that the retention of profits increased the

Page 12899 capital and was represented by assets; that if profits prior to 1911 had been distributed to shareholders and the increased assets acquired by a new issue of stock, such new issue would have been shown in the capital and not deducted; that the profits shown were earned upon a capital of \$6,000,000.00 and not upon a capital of \$2,884,500.00.

Page 12902

The reason given for showing the capital in this way is

Page 12902 "We are just setting up in this statement "the make-up of the capital. I have not used that "statement for any purpose at all, except to disclose "the set-up of the capital".



Whatever the intention of the witness was, such intention is not clear in the form of statement. It is submitted that the only inference to be drawn from the statement is that the profits shown were earned upon a capital of \$2,884,500.00, whereas the facts and admissions of the witness prove that the earnings were upon a share capital of \$6,000,000.00.

As to Net Revenue for 49 years (1877-1925) and for 10 years (1926-1935) the figures are shown without prior deduction in the first case of Income Taxes and in the second of Income Taxes, Bond Interest and Sinking Fund Reserve. In the latter period, net revenues are shown at \$3,067,221.39. This statement was prepared to assist the commission in its investigation into the textile industry. The witness states that he would confine earnings of the Company as a textile company to the first item of Net Revenue for 10 years to 1935 to "From operations .... \$716,840.46". He admits that the item "Transfer from extraordinary profits..... \$1,446,399.99" represents the proceeds





of a sale of a capital asset having no connection with the manufacture of textiles. At the foot of the statement there is given, without comment, figures for depreciation and repairs and equipment, etc. for 10 years prior to 1935. These figures can have no relevance to this statement, nor any purpose, unless they are intended to suggest that they should be included in "Net Revenue" for the period. There is not one bit of evidence to suggest that this is the case.

Upon these facts, it is submitted that this statement is, at the least, useless for the purpose of this enquiry and is, without the explanations and qualifications of the witness, definitely misleading.

The next two statements - "Repairs & Mill Equipment & Supplies charged to Operations" and "Fixed Assets & Depreciation" appear to make proof of nothing, other than arithmetical accuracy. There is no evidence that any Repairs, etc. were improperly charged to operations rather than to capital. What





evidence there was made is to the contrary.

As to the latter statement, no good ground has been shown for taking an Insurance Appraisal as a basis of value of fixed assets and no appraisal has been made during the period. It is more than likely that natural increment in values since 1911 makes the depreciation written off during the period inadequate.

The last statement, "Comparative Balance Sheet" shows, without demur or qualification by the witness, full value in assets behind all the issued share capital of the Company. When it is recalled that he shows a higher value for fixed assets in the preceding statement than in this, his second statement "Capitalization & Operating Results" as to "Adjusted Amount for Capital" becomes not only without basis but inconsistent.

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The Company provides non-contributory pensions, contributory but non-profit making medical service and housing.

Page 4843

Thirty thousand dollars, equal to one

Page 4850

dollar per common share, were paid in pensions in 1935.

Exhibit No.320

Eighty-eight persons are on the pension list, a

statement of which, showing individual names and

Page 4891

amounts paid, was filed. Qualification for a retiring

allowance is twenty years service and the rate is

based upon earnings for the last ten years prior to

Page 4891

retirement. It is quite true that the Company is

under no obligation to pay pensions, but they are

not contributory, and the whole cost is borne by the

Company.

Page 4875

Exhibit No.292

The medical service provides for a

contribution by employees of .05 cts. and .10 cts.

per fortnight, earning less or more than \$8.00

respectively. The service covers free attention

for any accidents or sickness in or out of the mill

and free prescriptions. This does not include

hospital or the services of an out-of-town doctor,





nor accidents or illness falling under the Workmen's Compensation Act. It does include home treatment after discharge from hospital, and also old employees. Three doctors are employed and a nurse in the well equipped dispensary and first aid room. The cost is about \$5,000.00 per year and no profit is made.

Page 4877

Page 5473

Exhibit No.322

The Company owns and rents to its employees 200 cottages. Total 1935 rentals amounted to \$31,809.32; the average yearly rental being \$159.05 and the average monthly rental \$13.25. Forty-two cottages were leased to superintendents, foremen and members of office staff, at an average monthly rental of \$17.60. The balance of 158 cottages were rented to other employees at an average monthly rental of \$12.10.

Thirty-one mill employees or ex-mill employees gave evidence, either at Valleyfield (May 26th to May 29th 1936) or at Montreal on the Forty-first day (June 3rd 1936).





It is interesting to note to begin with that all the employees to whom the question was put knew their rate of pay. Dining rooms are provided and special rooms in which to change were either provided, or in the course of construction during the hearings. Complaints of a general nature which were made by one or more of the witnesses may be summarized as follows:-

1. An increase in the number of machines which employees were obliged to tend.
  2. A system of fines for bad work, although witnesses who made this complaint admitted that this system was abolished in 1934.
  3. That employees are responsible for defective work which is due to a fault in the machine.
  4. That there was moisture on the walls of the weave room in winter time, and that the temperature became very high.
-



1. With regard to the evidence of some of the employees as to an increase in the number of machines or spindles to tend, the General Manager

Page 5475 Mr. Aird, gave the following evidence:-

There has been an increase in the number, starting in 1931. Where extra looms or spindles were given to an operator, certain other work was removed, so that they did not have more to look after than before and in fact, in some cases, they now have less. The result was to leave skilled work to be done by the skilled operator and having less skilled workers do other classes of work. This was explained also by two weavers, Hebert and Leduc, and by two loom fixers, Jourdain and Pare, and by the Superintendent of the weave room, Mr. Meury.

Pages 5582 to 5601

Mademoiselle Hebert, a weaver, now has

Pages 5582 to 5592

forty-four looms where formerly she had twelve. She explained the change in system which made her work easier with forty-four looms than it was with twelve under the old system. The same explanation and the same conclusion that the work was less fatiguing under the new system was given by Mademoiselle Leduc. She also explained the change in system and stated that the work under

Page 5594





the new system was less arduous. Similar evidence was given by Jourdain, a loom fixer, and Pare, a loom fixer, at page 5602.

Page 5600

2. Mr. Aird, the General Manager, testified that there was a system of fines in effect in 1932, but that this system had been abolished since the Fall of 1934. If a weaver, for example, produces continuous bad work, such weaver is warned and if the same fault continues the weaver may be laid off for a week without pay. This, however, does not happen very often.

Page 5483

3. Mr. Aird testified that where an employee found defective work which was due to a defect in the machine, he could call the second hand to examine the loom. If the second hand finds that the defect is due to a fault of the machine, he signs his name on the roll of cloth where it is defective, and when that cloth is sent to the inspection department the signature of the second hand is noted and the weaver is not held responsible. In certain sections of the mill there are looms which run after twelve midday and after 6.00 P.M. for an



average of about half an hour. Some looms will stop in five minutes and other looms may run forty minutes until they are stopped by the automatic action of the machine in the case of the break of the end of a warp or of some other cause. The weaver, upon his return and finding the defect, may have the cloth signed by the second hand as above mentioned, and the weaver is not in any way held responsible. The weavers are paid for the cloth produced during these periods.

Pages 5486  
to 5487

4. Mr. Aird stated that records of temperature and relative humidity in the weave room were kept. These records are taken twice during the day and three times during the night. One witness, Pilon, had testified that the room temperature often went as high as 90 and that it averaged between 80 and 90, and that the humidity was very great. The Official records show that in only one case in the month of January did the temperature go to 82, that the highest temperature

Page 5339





in February was 80 degrees, and that in the month of March it went up to 80 degrees three times. On numerous occasions during the three months the temperature was around 74.

The proper degree of humidity for a weave room should be between 65 and 75. In none of the three months of January, February or March 1936 did the humidity go as high as 75 degrees.

Pages 5480  
to 5481

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A witness, Charles Plourde, who worked for part of the year 1932 for the Company stated that it was necessary for the employees to drink from the end of a hose and he instanced the Gault mill. The General Manager testified that this was absolutely incorrect, as there were drinking fountains or taps for drinking purposes in all departments throughout the mills. There were hoses in some departments for washing down purposes, but they were not intended to be used for drinking.

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Pages 5481  
to 5482



Page 5482

He also stated that the sanitary arrangements were bad. The General Manager stated that this could only have applied to the Gault mill in 1932, as complete new sanitary installations were commenced in 1931 and were completed in 1932.

A witness, Joseph Leroux, stated that when he became President of the Catholic Union in 1934 and in 1935 he was discharged. The facts brought out in cross-examination do not bear out this statement. The General Manager testifies that this man was not discharged as a result of his being President of the Union; that the witness' wife asked for employment for her husband and that he was given temporary work installing looms in mill No. 1 and was paid off with other temporary hands when that work was completed. Similarly, Leroux was given temporary work, with others, in 1935 in exchanging some looms in the Gault mill.

Pages 5484  
to 5485

Emile Pilon, a loom fixer, stated that he was laid off for two weeks in 1935





without explanation and got his job back after a complaint to the factory inspector. The General Manager stated that there was at that time a surplus number of loom fixers in relation to the orders on hand and that for a period they were alternating two weeks on and two weeks off.

Page 5487

The same witness, Pilon, stated in Examination-in-Chief, and categorically repeated in Cross-Examination, that the Company had been warned of an impending visit of the factory inspector, Mr. Robert, and that the mill was specially cleaned for this visit. The General Manager produced a letter from Chief Inspector Robert stating that this was not the case and that no warning was ever given to the Company of inspections and would not be tolerated.

Page 5489

The witness Plourde stated that certain employees had to return on Saturday afternoons to clean the machines, without pay, or only for .25 cts., and that it took one to three hours. On cross-examination this charge was reduced to the Shriner

Page 5094



Calendar machines. James M. Lowe, Superintendent of the converting division in which these machines are situated stated that the employees working on these machines are paid by the hour and it is part of their work to clean their machines once a week, and that they are paid for the cleaning at the same rate as for their other employment. J. H. Meury, Superintendent of the weave room, explained if cleaning was done by the weavers that this work was included in establishing their piece work rate, and that no cleaning was done without pay. Meury also confirmed the statement of the General Manager of the reasons why the witness Leroux was laid off at the end of two short periods of employment in 1934 and 1935, and that the lay-off had nothing whatsoever to do with his being an officer of a Union. This witness also answers certain charges of Leroux and Pilon as to additional work for weavers and loom fixers. Meury also denies the statement of the witness Pilon that he was laid off for two weeks without explanation.

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Pages 5552  
to 5555





Another witness, Treffle Leduc, made somewhat similar charges to those of Leroux, in that he claimed to have been discharged because of his activities with the Union. It is submitted that the reason for this man's discharge is quite clear from the manner in which he gave his evidence and the admissions which he made under cross-examination. He was warned several times that during working hours he was not to go about the mill talking to other employees. He persisted in doing this and was eventually discharged.

Pages 5172  
to 5176

The four referred to above, namely, Pilon, and former employees Plourde, Leroux and Leduc, made a great number of charges against the Company, as indicated. It is submitted that these charges are unfounded and some of them made in bad faith as shown by the evidence produced in reply and by the nature of the evidence given by these witnesses and their cross-examination.

Messrs. Leroux and Leduc were part of a delegation which met the Minister of Labour, Mr. Gordon, Managing Director of the Dominion Textile Company Limited, and Mr. Aird, General Manager of this Company, at Montreal



on the 20th May 1935. Their account of this meeting and of the manner in which they were treated is denied by the Abbe Downs and the Advocate, Gontran Saint Onge, the Chaplain and Advocate of the Union respectively.

Pages 5342  
to 5352

As a result of this meeting, there was formed "A Joint Industrial Board Shop Committee". Achille Henley gave evidence as a member of this Board. He stated that the Board had met twice as a result of previous meetings at the Union. The first complaint was with regard to loom fixers on the 5th floor of the Louise mill, and the Company agreed to the change asked by the men. Similarly, when the Committee asked to be paid on Fridays instead of Mondays the Company agreed to the request. He said that the employees had not made any other complaints to the Board, and that he knew of none at the present time. He also stated that he was a weaver and was satisfied with his work if full time employment could be given. He also pointed out that the five members of the Committee were also members of the Union.

Page 5356





In December 1935, 67.65 of the employees were male and 32.35 were female. Of these 4% were in the group earning \$6.99 a week or less, 21.85% were in the group between \$7.00 to \$9.99, 20.76% in the group between \$10.00 to \$11.99, 23.55% in the group \$12.00 to \$14.99, and 29.84% Exhibit No.321 in the group of \$15.00 a week and over.

The average number employed per month in 1929 was 2,383, made up of 1516 men and 867 women. In 1935 the average number was 2,429, made up of 1657 men and 772 women. Reduced to a full time basis these latter figures would have been 1297 men and 688 women.

The evidence given shows favourable working conditions. Pensions, medical services and cottages are supplied, as described above. The rate and basis of pay is made known to all the employees. The sanitary arrangements are good and special rooms have been constructed in which employees may change and in which they may leave their clothes. Dining rooms are provided.



There has undoubtedly been short time employment at times, which necessarily results in the employees and the Company earning less. However, it must be remembered that the last few years have been poor from the point of view of business, and that it is in the interest of the Company, as well as of the employees, to obtain and carry on full time operations.

*Meredith, Holden, Howard & Holden*











